THE REAL CRISIS OF SCOTTISH AGRICULTURE

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Scottish and British agriculture has over the past fifty years undergone a transformation so profound that it is barely recognisable from the past. State support, technological innovation, new practices, new products have all transformed the agrarian economy and society of Scotland, and, in many places, the face of the land itself. This article attempts to identify and evaluate the most important economic and political developments bearing upon Scottish agriculture in the Seventies and Eighties. We start, however, with a brief history of agriculture support policies in Britain.

The "Great Depression" to 1939

British agriculture reached its zenith of prosperity in the 1860s. Around 1875 it entered a period of sustained depression – of falling product and land prices, lower rents and untenanted farms – which was to continue for almost forty years, ending only with the outbreak of world war. It was in this period that farming finally ceased to be Britain's major industry, unable to compete with imports of cheap grain and meat from Latin America, Australia, New Zealand and the American prairies. The effects of what became known as the "Great Depression" were most marked in the wheat growing areas of England. Scottish farming, being more dependent on stock activities and with only a small-scale involvement in wheat production, survived the shock of the depression better. If Symon is to be believed this was due also in no small measure to the moral sturdiness and resourcefulness of the Scottish farmer, who countered adversity by,

> "....industry, thrift, an excellent rotation system, attention to the breeding and management of livestock, sound labour organisation, skill and pride in farm craft, and the combination of agricultural

science, so far as was then known, with practice."[1]

Not that Scottish agriculture was without its difficulties. The effects of the depression were probably most severe on the uneconomically small units of the eastern glens, as well as on that cold, infertile central plateau that stretches from Midlothian in the east to Dunbartonshire in the west. Above all, the depression severely affected the viability of hill sheep farming, particularly in the Highlands where the glens, having already been emptied of people, were now cleared of sheep. A concomitant of this sectoral decline was a rising demand for moors for sporting purposes by the magnates of the new, industrial Britain. This large-scale appropriation of land for the recreation and pleasure of the few is a symbolic and literal blight on the face of Scotland that has yet to be expunged. Elsewhere, farmers survived as best they could in face of the official indifference engendered by the prevailing ideology of economic laissez-faire and the imperative of cheap (imported) food for an expanding industrial workforce.

Agricultural fortunes improved briefly during and immediately after the First World War as the exigencies of conflict forced a reluctant and faltering government to impose price controls and guarantee product prices. Scottish agriculture responded rapidly to this stimulus, with the acreage under grain growing by over 20% in two years. Soon after the Armistice Lloyd George was heard to declare that never again would the industry be left to sink or swim. In 1921, as world prices tumbled, its war-time system of agricultural support was dismantled. Depression returned with renewed force. Prices did gradually recover until, in 1929, another and more severe slump recurred. Everywhere land reverted to grass; many farms bore an air of neglect and decay; rural poverty was endemic. By 1939,"the damage done to the industry had been immense and, often, in the poorer areas irreparable. Where the permanent equipment of the marginal land farms had been allowed to fall into gross decay; so impoverished had much of this land become that it had degenerated into an agricultural slum, occupied in the main by old and infirm persons. These, by pursuing the least productive form of farming – the rearing of store sheep – managed somehow, and often with outside aid, to maintain themselves on a low standard of living. Impoverished farms with many derelict fields were to be seen everywhere in the poorer areas, silent but eloquent testimonies to the depression in agriculture".[2]

Grasping this history of neglect, indifference and betrayal is vital to an understanding of the collective mentality of farmers. A sense of beleaguered adversity, of threat from an ignorant, uncaring urban mass,

"backs-against-the-wall" rhetoric, an unquenchable belief in the dignity and indispensability of their calling are characteristic elements of the self-image and public pronouncements of farmers. If the effects are often risible, inducing only cynicism in the hearer, they nonetheless have a very real historical basis.

World War Two to 1973

The sustained support and management of agricultural markets dates largely from the Second World War, though some aspects date from the inter-war years – principally, the de-rating of agricultural land, the formation of the Milk Marketing Boards[3], and the introduction of some limited support and subsidies for wheat, barley, oats and beef.

The outbreak of war immediately accorded agriculture the status of a strategic industry. Overwhelmed by governmental advice and aid, farmers once again rapidly expanded output. In Britain, in the three years from 1938-9 to 1941-2 the value of gross output rose by two-thirds. In Scotland the area under tillage was increased by 639,000 acres in four years, with wheat and barley production more than doubling. The farmers' contribution to British victory was substantial and indispensable, providing them with "a moral account on which they were able to draw heavily when the war had ended",[4] as well as giving the NFU a key weapon in its propaganda armoury.[5]

This time around state support was consolidated and extended beyond the years of wartime emergency. A number of factors came into play. In the first place it was obvious that food shortages were going to last well beyond the end of the war itself, while it was hoped that sustained agricultural output would relieve the currrency and balance of payments crisis attendant upon the ending of Lend-Lease. The election of a reforming Labour government was not without consequence either. The widespread rural poverty of recent memory could lay claim to its egalitarian sympathies, while agriculture could also serve to exemplify the value and benefits of a managed economy. So begins the curious and ironic tale of Labour's involvement with Britain's farmers.[6]

The first piece of post-war agricultural legislation was the Hill-Farming Act of 1946 which provided support for farm improvement in the hills. However the centrepiece of the post-war agricultural settlement was undoubtedly the Agriculture Act of 1947. The Act undertook to provide "proper remuneration" for farmers and farmworkers and an "adequate return" on invested capital by providing price guarantees for (and here follows a sentence of majestic and fruitful ambiguity) "such part of the nation's food and other agricultural produce as in the national interest it is desirable to produce in the United Kingdom".

At first, while wartime controls were still in operation, farmers were paid a fixed price for their produce by the government. From 1953 and until entry into the EEC a "deficiency payments" system of price control operated. Imported food was by and large free to enter the country, with farmers being repaid the difference between a guaranteed price and the market price actually obtaining when domestic produce was sold in competition with imports. In this way some of the institutions and forms of a free market were restored, albeit one whose parameters were largely defined by the state.

The short-run results on output of the new legislation were disappointing. Between 1945-6 and 1950-1 output at constant prices rose by only about 8.5%, a long way short of the official goal of a 60% increase by 1956. Understandably perhaps, farmers seem to have initially spent their increased incomes on personal consumption rather than on productive investment. The official response to this was the introduction of production grants in the Fifties with the aim of increasing "efficiency".[7] Grants were made available for, amongst other things, hill cows and sheep, fertilizer purchase, bringing pasture under the plough, hedgegrow removal and bracken eradication. By 1960-61 such payments accounted for nearly 40% of all public expenditure on agriculture. In conjunction with the high levels of relatively stable prices provided by guarantees, production grants soon made a dramatic impact on both the volume of output and the pattern of farming. The pace of mechanization increased sharply, fertilizer usage shot up, and crop yields improved markedly. In Scotland the total output of the main cereal crops (wheat, barley and oats) rose from 1,032,000 tons in 1950 to 1,200,000 tons in 1960 despite a fall of nearly 11% in the area devoted to these crops. The value of total agricultural output rose from £121,096 to £168,617 over the same period. But as world food prices fell during the 1960s, the costs of agricultural policy grew. The agriculture departments and the Treasury were also having to face the emerging problem of surpluses, particularly of milk, as growth in output spiralled far in excess of consumption. Attempts were made to control output, and to limit the Exchequer's liability, by imposing "standard quantities" on milk.[8] This policy achieved some short-term success, but the long-run trend was still towards growing output.

One of the most remarkable policy developments of the Fifties was contained in the Agriculture Act of 1957. The 1947 Act had required the

Agriculture Ministers[9] to conduct an annual review of the economic conditions and prospects of agriculture as the basis upon which economic guarantees would be settled for a specified list of commodities. (By requiring their active participation this review procedure greatly enhanced the power and influence of the NFUs). The 1957 Act required the government to keep the total value of its guarantees at not less than 97.5% of the previous year, a remarkable self-imposed constraint on its budgetary autonomy.

This system of support continued largely unchanged in its essentials until entry to the EEC in 1973. However the value of price support was held down throughout the Sixties, despite the clamourings for expansion in the latter half of the decade which received expression in Labour's "National Plan" of 1965.[10]

A new decade and a new government brought higher guaranteed prices, eventual entry into the EEC and a fundamental reorientation in our system of agricultural support.

The Common Agricultural Policy

The Common Agricultural Policy (CAP) is an institution of truly baroque complexity. Here only the briefest sketch of its operations will be attempted.

CAP expenditure (which in 1981 accounted for more than 67% of the total Community budget) is administered through the European Agricultural Guidance and Guarantee Fund (FEOGA, after its French title). FEOGA disburses its budget under two main headings:

(1) Price guarantees – which account for more than 95% of total expenditure.

Structural measures ("Guidance"), concerned with such matters as farm size, agricultural employment, investment etc.

Prices and markets are manipulated by a combination of internal price supports and external protection. Each year the Council of Ministers sets desired prices (variously known as "target", "guide", "basic" and "norm" prices) for a set list of commodities. The market is then manipulated, principally by levies on imported goods, in an attempt to achieve the desired prices. At a certain percentage (generally a little over 90%) below this price there is an intervention price at which intervention agencies are obliged to buy any produce offered to them. This surplus output may be variously,

(1) Stored – hence the EEC's surreal landscape of food mountains and lakes

(2) Destroyed

(3) Exported – with the aid of "export restitutions" to bring the price down to the world market price

Price guarantees are open-ended; that is, there have until recently been no restrictions on the quantities which may be sold into intervention. Further complexities (and expense) are engendered by Monetary Compensatory Allowances (MCAs), a system of internal subsidies and levies intended to iron out trade "distortions" caused by the absence of a common currency, floating exchange rates and divergent economic conditions among the member states.

Structural policy has never assumed its intended importance and now accounts for less than 5% of total FEOGA expenditure. Structural measures operative within the CAP include aids for farm amalgamation and capital investment on small farms. As far as Scottish agriculture is concerned the most important structural policy is the Less Favoured Areas Directive of 1975 which provides investment aid for farm modernisation in the hills and uplands as well as an annual livestock subsidy known as the Hill Livestock Compensatory Allowance (HLCA). In the area of structural policy member states retain a great deal of autonomy with regard both to the goals and level of support. There also still remain some purely national elements of price support; Britain's sheep variable premium being one such example.

The marked disproportion between the Guarantee and Guidance sections of FEOGA is of crucial importance in understanding the present crisis and future direction of the Common Agricultural Policy. It is an issue to which we shall return.

Entry to the EEC provided a spectacular bonanza for British farmers. Compared with the old British system guaranteed prices were higher under the new Community regime, and in the years following entry farm incomes rose dramatically as the following table shows.[11]

In both Scotland and England farm income rose steadily throughout

the first half of the Seventies and, particularly in Scotland, managed to keep ahead of movements in the Retail Price Index. Incomes peaked in 1976/77 in Scotland and 1978/79 in England. Since then, apart from a brief improvement in 1981/82 (and 1980/81 in the case of England) they have steadily fallen, the decline being particularly marked in Scotland. The latest Annual Review[12] showed a drop in incomes in 1982/83 of 15% in the UK and 29% in Scotland. The divergent income trends in England and Scotland are in large part a result of differences in the main types of farming. Livestock and dairy farming are far more important in Scotland than in England[13], and it is these farm-types (and, in the main, the lower-income farmers) which have been disproportionately affected over the past few years.

As can be seen, the only farm-types to have maintained their real incomes are cereal and crop farms. Such variations in farm-type performance imply regional variations in agricultural profitability. In Scotland, as in England, there is a long-term trend towards increasing enterprise specialization and the geographical concentration of farm-types.[14] Thus arable production is particularly prevalent in the eastern Borders, East Lothian, Fife, Angus, the Mearns and the Laigh of Moray. In addition, there is in the North-east a particularly heavy concentration of arable with rearing farms – farms combining arable production with intensive livestock production (especially of pigs) – whose incomes are likely to have held up reasonable well. Dairy production, in contrast, is heavily concentrated in South-west Scotland where over one-third of all Scottish dairy farms are to be found.

Over fifty years of sustained support has helped transform Scottish and British agriculture. Production grants and the maintenance of price stability have encouraged capital investment, the increasing use of manufactured inputs (fertilizer, pesticides, machinery etc.) and turned the drift from the land into a floodtide. In 1951 Scottish agriculture employed 87,710 full-time workers; by 1981 the corresponding figure was 32,903, a fall of over 60%. There have been huge changes in production practices arising not just from technological innovation, but also from the application of an ever-growing body of scientific knowledge and expertise to the rationalization of crop production and animal husbandry. Land prices and yields have risen almost constantly since the fifties, at the same time as there has been an extension in the area of owner-occupied land. In 1945 around 31% of Scottish agricultural land was owner-occupied. By 1982 that figure had risen to 58%. The cereals acreage (a traditional indicator of agricultural prosperity) has expanded, from 1.18 million acres to 1.3 million

TABLE 1

Indices of Net Income per Farm: England and Scotland, 1970/1 – 1980/81
(1977/78 = 100)

	70/71	71/72	72/73	73/74	74/75	75/76	76/77	77/78	78/79	79/80	80/81
England	28	44	59	79	73	104	108	100	141	118	121
Scotland	26	41	64	70	83	143	154	100	99	80	75

Source: Taken from F.W. Furness "Some Features of Farm Income and Structure Variations in Regions of the United Kingdom", *Journal of Agricultural Economics*, Vol. 33, 1982, p. 295, Table 2.

TABLE 2

Real terms index numbers of average net farm income in the United Kingdom by main types of farming

	Dairy	Less Favoured Areas Cattle and Sheep	Lowland Cattle and Sheep	Cereals	Other Cropping	Pigs & Poultry
1977/78	100	100	100	100	100	100
1978/79	106	109	107	126	188	134
1979/80	66	50	48	92	181	94
1980/81	65	58	57	97	109	84
1981/82	81	101	66	93	157	96
1982/83	93	85	53	147	165	67

Source: *Annual Review of Agriculture* 1984, p. 44, Table B.

acres an increase of 10%. However improved yields have meant that total production has increased by well over 70%. New products have been introduced, perhaps the most famous, or notorious, being oilseed rape, whose bright yellow intrusions on the landscape have come to symbolize the wasteful extravagancies of the CAP. Almost unknown in Britain prior to EEC membership, its growth has been encouraged by hefty subsidies with the aim of providing a Community substitute for cheaper imported oils and animal feeds. Total UK production rose from 33 million tons per annum in 1972-74 to 580 million tonnes in 1982. In Scotland the area planted was so small, or even non-existent, that no returns were made in the Agricultural Census period to June 1982, when nearly 4,000 acres were reported to be under this crop.

This then is the backdrop against which current developments are being played out. It should be clear that the crucial decisions affecting the health and future of Scottish agriculture are made not in Edinburgh but, rather, in London and Brussels. It may also be noted that the superior staffing and budgetary resources of the English and Welsh NFU, together with that organisation's proximity to the metropolitan centres of power, gives it rather more power and influence in government circles than is possessed by the Scottish NFU.[G(15)] As tensions and dissensions within the farmers' unions mount in response to actual and proposed cuts in support, this fact may assume an increasing practical significance. But it is time now to turn to a consideration of recent economic, social and political developments which have, or have been generally identified as having, especial significance for the future of Scottish and British agriculture.

Scottish Agriculture and the Land Issue

Agricultural production is ultimately inseparable from the land issue, from control over the use and abuse of one of our most basic productive resources. But our ignorance on this issue is boundless. Of course, since land confers wealth, prestige and not a little power upon its owners it is perhaps not surprising that so little is known about its use and ownership. Such silences insinuate the powerful presence of a class which has come to recognize the "advantages of discretion and ambiguity".[(16)] In the absence of an official register of landownership we are left with McEwen's splendid but still incomplete and increasingly outdated study of *Who Owns Scotland*[(17)], which shows the extent of private landownership in 1970. What is most remarkable is the extent to which the Scottish landed estate has maintained its position over a century of unprecedented economic. social and political change. Although ownership is certainly not as concentrated as it was in the last century its persistence in just a few hands remains startling. McEwen shows that 63% of the Scottish land area was in 1734 private estates of 1,000 acres or more. Fifty-three landowners with estates of more than 40,000 acres held 18% of Scotland's land, while the top 549 owned nearly half (49%) of the country.

The decisions of landowners can, and do, have a powerful impact on the economies of rural areas and the life chances of their residents. Thus attempts in the 1960s to revitalize the agricultural economy of Mull foundered in face of opposition from local landlords who preferred to turn what was by Highland standards good agricultural land over to sporting uses, in the process evicting farming tenants.[18] In a contrasting case study of the Luss Estates in Dunbartonshire, Bird[19] has documented the effects on the local community of an aggressively commercial approach to the land. The Laird's primary concerns were with achieving high returns from his property and ensuring its succession. To this end life-long tenancies for estate-workers were abolished, who then often faced eviction on the termination of employment; land was taken in hand as tenancies expired; estate houses were left empty for most of the year to be let to summer holidaymakers, while attempts to purchase land for council housing were repeatedly resisted. The result is the decline of the local community as its old occupational base is eroded and new and potentially revitalising developments are blocked.

The twentieth century as a whole, and particularly the post- war years, have seen a decline in the extent of the traditional landed estates, and thus the erosion of the previous three-tier hierarchy of landowner, tenant-farmer and agricultural labourer. Initially the reasons for this change lay in the operation of Engel's Law, which states that as overall incomes increase there is a long-run tendency for returns to agriculture to decline. Latterly, as agricultural support policies have mitigated the impact of this law, fiscal policies which discriminate against owners of let land and the income advantages which attach to direct farming have become more important. Some of this increase in owner-occupation is undoubtedly accounted for by the purchase of estate land by sitting tenants. But some of it (and naturally we don't know how much) results from the taking in hand of land by traditional owners. In the absence of a cadastral record of landholding, or detailed local studies, we cannot reliably say to what extent land has changed hands over the past century (and thus, too, how far the Scottish agrarian class structure has changed). On the basis of McEwen's figures and the continued concentration of landholding they reveal, the answer is perhaps "not all that much".

These changes have implied, too, an effective convergence of interest

between landowners and farmers, with the result that on many issues the Scottish NFU and the Scottish Landowners' Federation are able to speak as one voice. There is no doubt that both organizations can exert quite considerable influence on the Scottish Office, but, once again, the mechanisms and channels through which such influence is exercised are largely invisible and unexplored. Here, as elsewhere in Scottish society, power is real but effectively anonymous. The linkages between landowners, farmers, the Scottish ruling class and the exercise of local and national political power is a fascinating, much needed and still unwritten study.[20]

By 1970 it seemed as if a new and fairly stable system of agricultural property relationships had emerged. But two developments during that decade were to threaten the future of private landownership: namely the emergence of financial institutions as major agents in the land market and capital taxation.

The Financial Institutions

The repetition is becoming increasingly tedious but – once again – our knowledge of this topic is patchy. However according to one of the more reliable recent estimates[21], financial institutions owned 82,400 acres of let agricultural land in Scotland (or 1.95% of the acreage of crops and grass). While substantial institutional involvement in farmland purchases in the arable counties of eastern England dates from the early Seventies, involvement in the Scottish farmland market is more recent. The Savills-RTP survey indicates that 82% (or 67,900 acres) of all institutional purchases of Scottish farmland have taken place since 1976.[22] That date is perhaps not entirely fortuitous. The Northfield Committee[23] reported that at one time there had been a reluctance to invest in Scotland because of the greater security of tenure afforded to tenants there, until such differences were largely removed by the Agriculture (Miscellaneous Provisions) Act of 1976. Matters have now changed so much that in 1982 34% of total British purchases were in Scotland, where stable capital values and increasing yields relative to the rest of Britain provided a considerable stimulus to investment.

Corroboration of the scale of recent institutional activity in the Scottish agricultural land market is provided by figures released by DAFS.[24] These indicate that in 1979-81 such institutions bought a total of some 44,000 acres of farmland. What is particularly interesting is the relative scale of their involvement in the Scottish land market. In 1979, 1980 and 1981 the institutions accounted for 8%, 12.5% and 10.6% respectively of all sales of land remaining in agriculture. These proportions are substantially higher than the 3.6% per annum given in the Northfield Report.[25] In the case of land sold out of agriculture for afforestation in these same years the institutions accounted for 45%, 36.2% and 67.5% respectively of all purchases.[26] Such information as exists suggests that the bulk of such purchases are concentrated in the eastern lowlands from Berwickshire to Nairn, not surprisingly, perhaps, in view of the institutions' well-known preference for large arable or mixed farms on prime land.

Transfers of land on the scale reported above, if sustained for any length of time, could lead to financial institutions coming to play an increasingly significant role in Scottish agriculture. Their importance, perhaps even their predominance, would be less likely to arise from owership of land per se, than from control over a disporportionate share of total production. In Scotland, as elsewhere in Britain, a small proportion of enterprises account for the bulk of total production. To give a few examples: in 1982 18% of all cereal growing farms produced 63% of total production, 46% of the total number of beef cattle were to be found in just 13% of herds, and 23% of dairy herds accounted for a little over half of the total number of dairy cattle.

If we take note, too, of the institutions' bias in favour of large, well-equipped farms on superior land, we might be well advised to give credence to the Centre for Agricultural Strategy's observation that while fewer than 865,000 acres changes hands in the UK every year,

> ".... it is inconceivable that a substantial proportion of UK farmland could pass into the hands of City institutions in the next decade. On the other hand, it is possible that, if financial institutions made a concerted effort and bought up the (150,000 acres) of large farms ..... coming on to the market each year, they could be responsible for just under 50% of UK agricultural production within 30 years"[27]

While institutional purchases in the UK have not been on this scale, the potential for control nonetheless remains very great indeed.

If our understanding of the activities and purchases of financial institutions as a whole is inadequate, then how much more so is our knowledge of who exactly owns what and where. McEwen's otherwise invaluable work is not particularly helpful in this instance, since it essentially presents a snapshot of Scottish landholding in 1970, before the current wave of institutional investment. The names, but often not much more, of some institutions are known: for example, the Commercial Union

Assurance Co. Ltd., the Prudential Assurance Company and the Post Office Superannuation Scheme. In any event it is quite probable that only a small number of individual institutions are involved in the Scottish agricultural land market. The Northfield Committee reported that while the number of institutions investing in farmland had risen considerably during the 1970s, these funds still remained in a small minority. No consensus existed among institutions over the purchase of agricultural land, though it was generally agreed that the necessarily long-term nature of investment in agriculture did not make it attractive either to mature funds or to those that needed to maintain a high level of liquidity.[28] But whatever the precise details of ownership may be, it is undoubtedly the case that the activities of the institutions "represent, potentially at least, one of the most significant developments in landownership in this country in the last fifty years".[29] Collectively they represent the fastest growing landowner in Britain, and as perhaps the most important agents in the contemporary British economy developments in their activities and investment decisions deserve to be carefully scrutinized. It has been argued that the emergence of the institutions as significant landowners signals the end of that long-run trend toward owner-occupied farming that followed upon the break-up of the large-landed estates in the aftermath of the First World War. We might thus be witnessing a new separation of the functions of landowner and farmer. Alternatively, the institutions might take land in hand and either farm directly or in partnership with specialised farming companies. If this were to happen on any scale, the corporate dominance of production characteristic of some sectors and regions of United States agriculture would become a feature of British farming.

Capital Taxation

The rise of the institutions was only one of a number of developments in the Seventies which threatened established property relations in agriculture. Land values, which had risen steadily throughout the Fifties and Sixties, spiralled dramatically in the Seventies, particularly in the years from 1972 to 1974 when land values doubled or even trebled. Almost overnight the asset-value of owner-occupied enterprises burgeoned, with the larger farmers on prime land becoming paper-millionaires. However, far from welcoming their good fortune, many farmers looked upon their new-found wealth with gloomy trepidation as the incoming Labour government of 1974 brought with it "penal" capital taxation in the shape of Capital Transfer Tax. This in conjunction with Capital Gains Tax (and – who could say? – the possibility of an annual wealth tax), seemed to place the inter-generational continuity of farming and land-holding in jeopardy, since on his death a farmer's survivors would be forced to sell land in order to meet crippling tax demands. Apart from the state, the most likely purchasers of such land would be the financial institutions who, unlike mere farmers, are immortal.

All these developments drew vehement, acrimonious and often bitter comment from the farming community and their spokesmen, never more so perhaps than when it was the activities of the institutions that were being called into question. There was plenty of scope for the habitual suspicion and defensive paranoia of farmers, with many coming to believe in

> "a vague conspiracy by the City and the government: the City institutions, by forcing up land prices, were imposing a crippling CTT burden on the individual landowner who was thereby forced to sell out to them"[30]

In point of fact it is far more likely that the movement of the institutions into land and their willingness to bid high prices was part of a wider confidence in land, which was itself a response to, inter alia, growing inflation rates, declining industrial profitability, looming economic crisis, a bumper harvest in 1973 under conditions of world shortage, not to mention the hopes inspired by entry into the EEC. If a villain must be found then it is probably "roll-over-relief" rather than the city institutions which should be arraigned.[31]

In the event matters have not turned out as badly as was first hoped or feared. In the first place, and partly as a consequence of the concessions progressively extended to owner-occupier and tenant farmers, capital taxation does not present an insurmountable problem to most farmers.

Using data derived from MAFF's Farm Management Survey, Peters[32] has estimated both the wealth and CTT liability of various groups of farmers. He reports that on the basis of net worth all full-time owner-occupier farmers fall among the top 6% of wealth owners. Small dairy farmers just make that level while large cropping and livestock farmers are easily in the top half per cent. On the income side farmers are on the whole in a less favoured position than with respect to wealth. All large farms and medium cropping farms would fall into the upper 1% of the distribution, medium size dairy and livestock farms into the upper 10% or incomes with small dairy and livestock farmers slipping down to about the fourth decile. However,

> "Despite this it can fairly be stated that owner-occupiers belong to a particularly wealthy sector of the community who are also advantageously placed, though less markedly, in terms of income".[33]

In spite of this marked concentration of wealth, farmers are not particularly vulnerable to capital taxation. Peters suggests that the full CTT liability of small and medium dairy and livestock farms could for the most part be met out of income. But all other farms would be threatened if their maximum theoretical CTT and CGT liability had to be met. However, if a farmer is prudent enough to take sound financial advice and make maximum use of the concessions and loopholes available under the acts then he can, in most cases, ensure the transfer of his business. Tenant farmers have even fewer problems in spite of the fact that larger tenants have wealth sufficient to place them within the top second or third percentile in the national placings. However, it is likely that CTT will further encourage the decline of the traditional agricultural landlord since, as has been the case throughout the century, the owners of let land are treated far more harshly than owner-farmers. Consequently, more land is likely to be taken in hand or sold to sitting tenants or other buyers such as the financial institutions.

Agricultural Incomes

It seems clear, therefore, that farmers are a relatively wealthy and privileged group within British and Scottish society. Nor should the falling farm incomes of recent years necessarily lead us to modify that judgement. The agriculture departments' annual calculations of Net Farm Income (NFI) are important primarily as a resource for production-oriented economic studies of the industry or, and just as importantly, as a weapon in the negotiations, debates and battles between the NFUs and Government. While the are undeniable links between the incomes of individuals (or families) and the aggregate:

> "the situation is too complex for a simplistic view to be acceptable, and changes in the industry figure do not necessarily offer a valuable guide to what is happening to the incomes of farmers and their families".[34]

In particular industry figures are unsatisfactory in two main respects:

(1) Farm households may have income from sources other than farming. Hill, for example, has shown that only 63% of the total income of individuals and couples engaged in UK farming comes from business profits.[35]

(2) While, with appropriate modifications, Net Farm Income might make a useful indicator of incomes on tenanted farms, its ignoral of capital gains makes it of limited value in the case of owner-occupied farms. Farming spokesmen often like to pretend that capital gains are somehow unreal – existing only on paper – and are of little real consequence or benefit to the farmer. Of course, there are problems in realizing capital gains if wealth is held in land, but part of any gain in real net worth can be realized indirectly, for example through extra borrowing. At any rate:

> "When a capital gain is realised there is a clear release of purchasing power to the person or family owning the asset. When capital gains are NOT realised by disposal ..... it is evident that unrealised gains still constitute part of real personal income. Unrealised gains represent the value of rights which the owner MIGHT HAVE exercised in consumption without diminishing the value of his wealth".[36]

Hill goes on to argue that if capital gains are taken into account then almost 50% can be added to UK Net Farm Income in 1976/77 (a year in which NFI was particularly high), raising the proportion of the sample with incomes of £10,000 and over from 45% to 65%.[37]

While the average figures for Scotland will be lower than the UK figures quoted here, there can be little doubt that as a group Scottish farmers are rather better off than the majority of their compatriots. In particular, the large east coast arable farmers must be among the wealthiest in Britain.

For many farmers, this prosperity is of comparatively recent origin. Bowers and Cheshire[38] have derived an income series for UK farmers and other occupational groups over the period 1935-77. At constant 1976 prices the "average" farmer's annual income rose fairly steady from £1,177 in 1938 (80% of average male manual wages and 152% of average agricultural worker wages) to £7,384 (209% and 281% respectively) in 1973-77. The change in farmers' economic status is dramatically obvious, fully bearing out the authors' assertion that farmers as a group "have moved from a position of absolute and relative poverty to a position of substantial prosperity".[39] It is equally obvious that this transformation has been effected primarily by the ever-burgeoning financial and administrative apparatus of state-support for agriculture. Not that its benefits have been evenly or equitably distributed. Far from it. Support policy as we shall see raises the incomes of farmers proportionately to their richness. And farm workers remain amongst the lowest paid and disadvantaged of all

occupational groups, poverty and dependence being their all too-common lot. In 1983 average weekly wages for full-time male agricultural workers stood at £112.25 per week (including overtime payments and the value of perquisites), or 77% of the average Scottish male manual wage.

This digression upon farmers' income and wealth is not a purely academic exercise. Knowledge about such matters will naturally be relevant to an assessment of the position of farmers in the contemporary Scottish class structure. But it has, too, a direct importance for agricultural policy-making; or so one might naively presume.

Concern over the incomes of farmers has been a fundamental but ill-defined and poorly articulated component of the post-war agricultural policies of both the United Kingdom and the EEC. It has often been assumed that a gap exists between farm and non-farm incomes which should be closed (though commentators have typically been vague as to the magnitude of this gap). Such concerns lie behind the declared objectives of ensuring the "proper remuneration and living conditions for farmers and workers" of the 1947 Agriculture Act and the "fair standard of living for the agricultural community" of the Treaty of Rome. But there has been little attempt to translate such goals into detailed and coherent policy formulations. Any comprehensive and workable programme to eradicate agricultural poverty surely requires details of the sectoral and regional distribution of real incomes within agriculture, detailed knowledge of the structure of the agricultural industry (including patterns of tenure and landownership)and a knowledge of the linkages between agriculture and other sectors of the economy. In all these areas our knowledge is to a greater or lesser extent deficient. In the case of incomes, Hill points out that

> "Despite the importance of being able to assess the poverty and comparability aspects of agricultural policy ...... incomes have never been officially measured in ways which can be used to indicate in any meaningful manner the living standards of farmers".[40]

The ambiguities and lacunae of this policy area have proven advantageous to the farming unions, allowing them both to blur and elide very real differences in the circumstances of different groups of farmers and to present any kind of increase in total agricultural support as a step towards eradicating agricultural poverty. And, of course, concern over agricultural incomes has invariably focussed on farmers' incomes at the expense of farmworkers. There undoubtedly are relatively poor farms and farmers in Scotland, more so than in England. For example, many small and medium size general dairy farms have probably experienced severe financial problems in recent years, even before the imposition of quotas. But by far the largest number of marginal enterprises are to be found in the hills and uplands, where many farms are entirely dependent upon EEC and UK subventions for their survival. Indeed their precarious status and the vital contribution they make to the fragile local economy of many parts of Scotland has found official recognition in the classification of the so-called "Less Favoured Areas" which make up nearly three-quarters of the land area of Scotland. However, it nonetheless remains the case that the overall distribution of support is sharply skewed in favour of these high output/high income producers who are presumably least in need of it. In essence, support is biased towards large farms at the expense of the small and arable farmers rather than livestock farmers. Even in the hills and uplands large farmers benefit more from Hill Livestock Compensatory Allowances (which are paid on a headage basis) than their smaller counterparts.

As budgetary crisis deepens, and financial constraints tighten, then more detailed knowledge of, and more carefully specified policies with respect to, farm incomes will become essential if the income maintenance goals of the Treaty of Rome are to be realized and the hill and upland economy of Scotland sustained. Otherwise, farm support will remain, in the words of the European Commission, "a source of social inequality under the cloak of economic equality".(41) It is to the budgetary crisis of the Common Agricultural Policy and its potential effects upon Scottish agriculture that we now turn.

Crisis in the CAP

Attempts to limit agricultural output and support costs have been forced upon the EEC in response to growing food surpluses and the ever-rising costs of price guarantees. In Scotland, the value of production grants and price supports administered by DAFS went from £38.25m in 1975/6 to £78.9m in 1983. In 1981/82 the relevant figure was £72.23m or £3,036 for each of the 23,790 farmers listed in the 1981 population census.(42) Nor does this take into account the value of CAP price support. Over the past five years the annual budget of the Intervention Board for Agricultural Produce (IBAP), the body charged with the implementation of CAP price support in the United Kingdom, has risen at a frightening rate:

TABLE 3

Gross Annual Expenditure by IBAP, 1979-1983

	£m
1979	529.8
1980	762.5
1981	960.3
1982	1,225.9
1983	1,778.8

% Change 1979-1983 = 236%

Source: IBAP Annual Reports.

Bowers and Cheshire(43) have argued that in 1979 support was worth about £10,000 to every farmer in the UK (or £5,000 per farmer and worker) an estimate they consider to be fairly conservative. This represents a subsidy of between £60 and £80 for every agricultural acre in the UK (or 60-95% of the level of average rents). It is clear that the costs of the Common Agricultural Policy have, particularly in a period of low growth and high unemployment, simply become insupportable. To these budgetary pressures must be added those arising from the political tensions engendered by the inequitable distribution of the CAP's costs among the member states.(44) Within Britain one has also to take account of the influence of a renascent New Right and its detestation of state intervention and subsidy in all things economic. Certainly it is an open secret that certain members of the present Cabinet, including the Prime Minister, have little sympathy for the farmers.

So in April 1984, confronted by impending bankruptcy, the EEC took the hitherto unprecedented step of imposing curbs on production in the shape of milk quotas, with stiff levies being imposed on excess production. Support prices for a range of other commodities were also cut slightly. The farmers' response was vehement, bitter and often self-righteous. Demonstrations were organised, demands were made for the Agriculture Minister's resignation (and occasionally his head), while from within the NFUs we could hear mutterings of discontent over the leadership's supposed failure to protect the dairymen's interests. This well-orchestrated chorus of indignation made no difference to the quotas, but it did succeed in getting the Government to introduce 'redundancy' payments for farmers wishing to leave the industry. For a farmer with a herd of 30 cows this will be worth about £20,000; a 180 cow dairyman will receive £120,000.(45)

Despite these production restrictions, the EEC will still be faced with an estimated surplus of 12.5m tonnes of milk in the 1984/85 financial year, not to mention a budget which continues to lurch ever deeper into crisis. Further cuts in the value of price guarantees are therefore almost inevitable, with cereals and beef being high on the list of likely candidates for control at the 1985 price review. It is impossible to say just how harshly cuts will bite, or how they will be distributed across different sectors. Much will depend on general economic conditions within the Community, on the State of political relationships between member states and the sort of trade-offs they facilitate, and, of course, the balance of power within the farmers' unions both at the national level and within COPA, the Community's federation of farmers' unions. Here we may note that cereal farmers traditionally constitute a powerful and well organised bloc: they are certainly well represented within the NFUs.

Obviously, quotas and support price cuts, by raising the threshold of viability, will force many farmers out of business and act as a further stimulus to farm amalgamation and growing enterprise size. They are also likely to have an effect on the activities of financial institutions in the land market. Institutional purchases of farmland have been a response to high and stable levels of land prices. High land values have in turn been conditional upon state support for agriculture: support which has to a large extent been capitalized in land. In an econometric simulation Trail found that a 1% increase in farm support prices resulted, amongst other things, in an increase in farm income and land prices of around 10%.[(46)]

Given that the investment decisions of institutions have in the past shown themselves to be highly sensitive to short-run fluctuations in the agricultural land market, one might therefore expect a decline in price support and land values to be followed by the institutions disengaging themselves from the farmland market.

The hills and uplands

An issue of particular concern to Scotland will be the future of subsidies for the nation's hill and upland farmers, whose dependence on outside support has already been noted. Any redirection in the level of subsidy could deprive the local economies of these regions of one of their most crucial supports. Moreover, the major land-use problems of such regions are not those of over-production and environmental damage, but all too often, and particularly in the Highlands, the misuse, neglect and underdevelopment of potentially productive land by private landlords.[(47)] At least in the short-run, therefore, there are good grounds for maintaining

agricultural support to these regions. However, in the long-run, if the social and economic viability of "marginal" regions is to be maintained (and, indeed, if large tracts of lowland Scotland and Britain are not to become the preserve of a privileged population of middle-class commuters who have taken over villages once populated by now displaced agricultural workers) greater consideration will have to be given to the respective goals and methods of agricultural policy and regional planning. In a study of the Orkneys, Slee[(48)] has pointed out the contradictory consequences of the lack of co-ordination between agricultural planning and regional and local planning. Thus one of the principal goals of the H.I.D.B. and the Orkney Islands Council has been the halting of depopulation. Agricultural policy-makers, on the other hand, have directed their energies towards tackling the perceived problems of agricultural "backwardness" and "low incomes" by, inter alia, providing generous advice, grants and subsidies for capital improvements. But by encouraging the substitution of capital for labour these policies only exacerbate the very problems of unemployment and depopulation which regional and local policies are attempting to combat. Thus, in the absence of alternative sources of employment, agricultural policy tends to bring about what Gerald Wibberley has termed the paradox of "strong agricultures but weak rural communities",[(49)] as agricultural modernization helps create local unemployment, depopulation, surplus rural settlements, rising costs of maintaining infrastructures etc. If the present crisis of the CAP is to be resolved without either a wholesale withdrawal of funds for agricultural support, or sacrificing the interests of the most vulnerable producers in favour of those of the most powerful, much greater consideration will inevitably have to be given to structural reform and policy. The directions in which this may lead are best indicated by the EEC's Mansholt Plan of 1968.[(50)] The Plan argued that because of the tendency of farm incomes to decline relative to the remainder of the economy (the aforementioned Engel's Law) farm income would be a perennial and ever more burdensome problem without an increase in the size of farms and a reduction in their number. It presented comprehensive proposals for reforming the structure of production. These included:

(1) the creation of more economic farms by the expansion and amalgamation of existing farms.

(2) the withdrawal of some land (about some 13m acres amongst the then Six) from cultivation, mostly for afforestation.

(3) regional development schemes to create new jobs in agricultural areas and so avoid depopulation.

(4) reductions in price guarantees, principally in the dairy sector which even then was experiencing acute surplus problems.

In face of vigorous opposition from the Community's farmers' organisations the Plan was shelved. The need for such a programme of comprehensive development and reform has never been greater and given that member states retain a great deal of autonomy in the area of structural policy, a start could be made by the UK government in devising and implementing such a programme. Indeed, if the presently conflicting goals of farm income support, the containment of exchequer commitment to agriculture and the maintenance of economically and socially viable rural communities are to be reconciled, then such programmes of integrated policy-making and regional economic diversification are essential. This does not mean, however, that we have to accept prevailing definitions of what "modernisation" and "development" entail. In the case of agricultural policy for example, a welcome change would be a shift of emphasis away from capital subsidies toward labour subsidies. Not only would this delay the rate of outflow of labour from agriculture, but, especially in the Lowlands, it would also help minimize the environmental damage which accompanies modern capital-intensive farming.

However, any attempt to implement successfully such a thorough-going programme of rural development must face up to two crucial problems. In the first place the power wielded by landowners must be attacked and their capacity to resist personally unwelcome change eroded. Secondly, if economic diversification is not to proceed via the establishment of externally controlled branch plants by footloose metropolitan or multinational companies then some attempt must be made to establish local control over such developments.

In the present political climate of governmental hostility to state intervention in the economy and indifference to the world beyond the golden vale of the south-east, such proposals inevitably have a utopian ring. However, here as in so many other respects so scandalous is Scotland's decline that nothing less than radical solutions and policies will do. In the meantime, the other political parties could usefully devote some thought to the problems facing rural Scotland.

References

1. J.A. Symon, *Scottish Farming*, Oliver & Boyd, 1959. p.197. One should not be too sceptical about such claims. Carter has attempted to show how the widely renowned quality of North-east husbandry was rooted in "the

social formation of improved agriculture: in the structural relations between classes in the rural North-east at the end of the agricultural revolution of the late eighteenth and early nineteenth centuries". Ian Carter, *Farm Life in North-east Scotland 1840-1914*, John Donald, 1979, p.10.

2. Symon, *op.cit.* p.239

3. The Milk Marketing Boards are essentially monopoly buyers and wholesalers of milk.

4. J.K. Bowers and Paul Cheshire, *Agriculture, the Countryside and Land Use*, Methuen, 1983, p.59.

5. The "strategic necessity" argument for self-sufficiency has a long and honourable history stretching back to the Corn Law debates. Of course the nature of the threat we are exhorted to protect ourselves against – blockade in war, world famine, disruption of food supplies in an area of international unstability – varies with time and context. The counter-arguments are by now equally well-rehearsed. They include, inter alia, the points that "security of supply" should be taken to mean the amount of production needed to survive, not the amount needed to maintain stable patterns of consumption; the growing dependence of agriculture on high-cost imported inputs, especially oil; that with the general situation in temperate foodstuffs that of surplus we are hardly faced with a major crisis; and that by introducing a crucial element of instability into the world agricultural market the Common Agricultural Policy actually exacerbates the problems of international economic and political instability it pretends to protect us from.

6. Indeed, in 1946 Attlee became the first British Prime Minister to attend and address the annual dinner of the NFU of England and Wales.

7. Once again a key term was left substantively undefined. In practice, "efficiency" seems to have come to mean increasing labour productivity and expanding total output.

8. "Standard quantities" stated the maximum output for which the Treasury would pay the guaranteed price. If producers exceeded this they were penalized by a dilution in the value of the guaranteed price. Standard quantities were also imposed on eggs and potatoes.

9. In Scotland this was the Secretary of State.

10. National Plan, Cmnd. 2764, 1965. Agriculture was to contribute to the solution of Britain's chronic balance of payments problems by an expansion in production, thus saving on imports. However expansion was not to absorb an excessive share of real resources which could be better used elsewhere. Over this stipulation the proposal came to grief. In Beresford's delicate phrasing, "Cost-benefit analysis, performed by the NFU's ever-resourceful team of economists, gave different answers from those reached by the Treasury". Tristram Beresford, *We Plough the Fields, Agriculture in Britain Today*. Penguin, 1975, p.58.

11. The income figures provided are calculations of Net Farm Income (NFI) as measured by the agriculture departments for the purposes of the Annual Review. As we shall see, they are not an unambiguous guide to the income and wealth of individual farmers.

12. Annual Review of Agriculture 1984 HMSO, 1984 Cmnd. 9137.

13. In England 53% of the agricultural land area is classified as "arable"; in Scotland only 18.6%. In Scotland in 1978 over one third of all full-time farms were classified as dairy farms, about the same proportion as cropping farms.

14. I.R. Bowler, "Regional Variations in Scottish Agricultural Trends", *Scottish Geographical Magazine* vol.92(2), 1975; "Regional Specialization in the Agricultural Industry", *Journal of Agricultural Economics*, vol.32(1), 1981.

15. See Graham K. Wilson, *Special Interests and Policymaking*. Wiley, 1977, Ch.3.

16. Howard Newby, *Green and Pleasant Land?*, Penguin, 1980, p.27.

17. John McEwen, *Who Owns Scotland*, 2nd Edition, Polygon, 1981.

18. See Ian Carter, "Community Development in Scotland: Promises and Problems" in M. Gaskin (ed.), *The Political Economy of Tolerable Survival*, Croom Helm, 1981. Also, James Grassie, *Highland Experiment: the story of the Highlands and Islands Development Board*, Aberdeen University Press, 1983, ch.4.

19. S. Elizabeth Bird, "The Impact of Private Estate Ownership on Social Development in a Scottish Rural Community", *Sociologia Ruralis* Vol.22(1), 1981.

20. We lack even the kind of case studies of farmers' and landowners' control over local labour markets, housing, politics and planning which have been undertaken in East Anglia. See Howard Newby et al, *Property, Paternalism and Power*, Hutchinson, 1978. Also M. Mosely (ed.), "Power, Planning and People in Rural East Anglia", Centre for East Anglian Studies, 1982.

21. *Savills-RTP Agricultural Performance Analysis* for 1982, dated June 1983. Savills and RTP are firms extensively involved in the agricultural land market.

22. Nonetheless their figures are almost certainly under-estimates perhaps by as much as 50%.

23. *Report of the Committee of Inquiry into the Acquisition and Occupancy of Agricultural Land*, Chairman Lord Northfield, 1979 Cmnd. 7599, pp.317-18, para. 28.

24. A.M. Mackenzie "Land Sales and Financial Institutions", in DAFS *Economic Report on Scottish Agriculture 1981*, HMSO, 1982, pp.8-11.

25. Northfield, *op.cit.* p.66 Table 15.

26. Mackenzie, *op.cit.* p.10, Table 3. In area terms the institutions purchased 20,871 acres for afforestation in that three year period.

27. Centre for Agricultural Strategy, *Capital for Agriculture*, Report no.3, 1978, pp.42-43.

28. Northfield, *op.cit.*, p.323, paras.38 & 39.

29. Newby, *Green and Pleasant Land?, op.cit.*, p.59.

30. *Ibid.* p.63.

31. "Roll-over relief" was a term given to a concession granted by the Heath government to landowners who sold land at development prices for housing and industrial use. Provided that the money was invested in agriculture within three years, the resulting Capital Gains Tax could be avoided. Since development value was far greater than agricultural value, these landowners, who had large sums of liquid capital seeking a quick

investment, could afford to pay a premium on land equivalent to the foregone tax rate. The irony, of course, was that many of these landowners were themselves farmers who, having sold land to developers, were seeking either to re- establish themselves in farming or to expand their businesses.

32. G.H. Peters, "Some thoughts on Capital Taxation", *Journal of Agricultural Economics*, vol.31(3), 1980.

33. *ibid.* p.390. This is also before we consider sources of income and wealth outwith farming.

34. Berkeley Hill, "Farm Incomes: Myths and Perspectives", *Lloyds Bank Review*, no. 149, July 1983.

35. Berkeley Hill, "Information on Farmers' Incomes: Data from Inland Revenue Sources", *Journal of Agricultural Economics*, vol.35(1), 1984.

36. Berkely Hill, "Concepts and Measurement of the Incomes, Wealth and Economic Well-Being of Farmers", *Journal of Agricultural Economics* vol.33(3), 1982, p.317.

37. *ibid.* p.319 and pp.322-23.

38. Bowers and Cheshire, *op.cit.*, Ch.4., esp. pp.77-88. While the broad trend undoubtedly holds true for Scotland, the appropriate Scottish figures would probably be below the UK average. It should also be noted that the calculations are based on official estimates of Net Farm Income and so are subject to the limitations previously noted.

39. *ibid.*, p.86.

40. Hill, "Farm Incomes..." *op.cit.*, pp.40-41.

41. Commission of the European Communities,"Reflections on the Common Agricultural Policy", Brussels, 1980, quoted in Hill, "Concepts and Measurement ...", *op.cit.*, p.324.

42. This does NOT include expenditure under such headings as "educational, advisory, research and development services", or "assistance to marketing".

43. Bowers and Cheshire,*op.cit.* pp.98-102.

44. The CAP transfers resources from EEC countries which are net importers, such as Britain, to those that are net exporters, such as France. The net cost of the CAP to Britain was estimated by the House of Lords Select Committee on the European Communities (Session 1980/81) to have been £1,110m in 1979.

45. *The Scottish Farmer*, August 11 1984, p.46.

46. W.B. Traill, "The Effect of Price Support Policies on Agricultural Investment and Employment", *Journal of Agricultural Economics*, vol.33(1), 1982.

47. George Houston and John Bryden, *Agrarian Change in the Scottish Highlands,* Martin Robertson, 1976. Also, A.M. Armstrong and A.S. Mather, *Land Ownership and Land Use in the Scottish Highlands,* Department of Geography, University of Aberdeen, 1983; McEwen, *op.cit.* pp.80-108.

48. R.W. Slee, "Agricultural Policy and Remote Rural Areas", *Journal of Agricultural Economics,* vol.32(2), 1981.

49. Gerald Wibberley, "Strong Agricultures but Weak Rural Communities", *European Review of Agricultural Economics* vol.8(2), 1981.

50. Its official title was the "Memorandum on the Reform of Agriculture in the European Economic Community".